UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
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POULTRY AND EGG SITUATION

Summary

The two important developments in the poultry and egg situation in January have been (1) the continuance of mild temperatures in many producing areas, which has stimulated egg production to exceptionally high levels despite an unfavorable feed-egg ratio, and (2) the operation of the Agricultural Adjustment Administration surplus egg purchasing program which is designed to render the decline in egg prices, caused by this heavy production, less severe upon the poultryman now making his plans for spring hatching. Egg prices regularly decline at this period of the year, but not so much as has been caused by this abnormal production. The purchase program attempts to "normalize" this decline. Laying flocks are now below average size for this time of year, and a material reduction in hatching, such as might be caused by a severe price decline, would possibly lead to excessively high prices for eggs in early 1938.

Poultry prices in the first half of 1937, and prospects for the last half of 1937, will be dominated by the storage situation. These present record storage stocks will very likely prevent poultry prices this spring from reaching levels as high as those of last spring. If consumer demand continues to strengthen, however, so that there will be no large carry-over to affect prices in the fall of 1937, the decline which commonly characterizes fall poultry prices may not occur or may be less than average. In this event fall prices would exceed those of 1936.

Feed situation

The relation of feed costs to egg prices from August 1936 to the end of the year has followed rather closely the same course that was taken after the 1934 drought. In both years the feed-egg ratio was unfavorable to heavy feeding largely because of scarcity of feed and high feed prices.

The feed-egg ratio, by months, average 1910-33, annual 1934-35 to 1936-37

(Dozens of eggs required to buy 100 pounds of poultry ration)

Year	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	Dozen	Dozen	Dozen	Dozen	Dozen	Dozen	Dozen	Dozen	Dozen	Dozen
Average										
1910-33.....	7.17	6.05	4.90	3.95	3.72	4.35	5.59	7.16	7.75	7.91
1934-35........	8.12	6.84	6.30	5.18	5.91	6.45	6.29	8.38	8.02	7.38
1935-36........	6.19	5.25	4.80	3.81	3.89	4.97	4.86	6.66	6.89	6.50
1936-37........	8.21	7.66	6.47	5.41	5.95	---	---	---	---	---

In January, however, the feed situation departed markedly from its 1934-35 parallel. Mild temperatures over many producing areas have stimulated egg production to unusually high levels for this time of year so that egg prices have fallen by more than the average seasonal decline. Therefore, in addition to high feed costs, relatively low egg prices are causing an exceptionally high feed-egg ratio; in other words, an exceptionally large number of eggs is required to buy 100 pounds of poultry ration.

The course of the feed-egg ratio during January is indicated by the ratio at Chicago, based upon market prices there rather than upon farm prices.

The feed-egg ratio, at Chicago by weeks, average 1926-35, and December 5, 1936 to January 30, 1937

Week ended as of 1936-37	Dec. 5	Dec. 12	Dec. 19	Dec. 26	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30
	Dozen	Dozen	Dozen	Dozen	Dozen	Dozen	Dozen	Dozen	Dozen
Average									
1926-35........	3.72	3.95	4.15	4.23	4.21	4.23	4.50	4.72	4.92
1936-37...........	5.92	6.44	7.08	6.93	6.98	7.76	8.79	9.30	9.03

Hatchings

The size of the hatch is greatly affected by the feed-egg ratio just prior to and during the hatching season.

With the feed-egg ratio steadily rising or being maintained at high levels it becomes increasingly more likely that the 1937 hatch will be less than that of 1936. In areas which produce most of the winter broilers, commercial hatcheries reported a 32-percent decrease in the number of salable chicks hatched in December 1936 compared with the number hatched a year earlier. While this decrease was partly the result of very low poultry prices, the same tendency will probably prevail when hatching of chicks for laying flocks begins.

Poultry marketings

Most of the farm marketings of poultry are now past. The course of poultry receipts during the next 3 or 4 months will be rather stable and at a low level compared with that of many other years.

Receipts of dressed poultry, however, will probably exceed the very low figures of a year earlier. This will be due mainly to three conditions: The inclusion in receipts of poultry moving out of storage, the larger average size of flock as compared with last year, and the tendency to reduce the laying flock because of the unfavorable feed-egg ratio. If the increase over 1936 from these causes amounts altogether to about 10 percent, then receipts of dressed poultry at the four markets during the period January through June will be about 110,000,000 pounds. In January, receipts were 9 percent greater than a year before.

Receipts of dressed poultry at the four markets, January-June, average 1925-34, annual 1935-37

Year	Jan.	Feb.	Mar.	Apr.	May	June	Jan.-June
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Average 1925-34	28.5	20.2	17.0	15.4	18.6	21.0	120.7
1935	21.0	15.1	12.6	13.5	14.4	18.3	94.9
1936	19.6	13.7	14.2	14.5	17.9	21.7	101.6
1937	21.3	---	---	----	---	---	---

Poultry storage

Storage holdings of poultry decline from a maximum in January - 187,000,000 pounds this year - to a low point some time during the summer. By July 1, the United States stock is usually between 35,000,000 and 55,000,000 pounds.

At 26 major markets, storage stocks were 141,000,000 pounds on January 2 and 136,000,000 on January 30. By July 1 this stock usually averages (1925-34) about 35,000,000 pounds. To keep in line with other years, then stock in the 26 markets would have to be reduced by 106,000,000 pounds in the period January through June, if it is not to burden the new crop of poultry. This would be about 74 percent greater than the 1925-34 average out-of-storage movement. The out-movement this January was about three times as great as average.

Out-of-storage movement of frozen poultry at 26 markets, average 1925-34, annual 1935-37

Year	Jan.	Jan.-June	Percentage Jan. is of 6 months total
	Million pounds	Million pounds	Percent
Average 1925-34	1.5	61	2.5
1935	8.3	67	12.4
1936	2.9	50	5.8
1937	4.7	Will this be 106?	4.4 (of 106)

Chicken prices

The low point of the seasonal decline in the farm price of chickens apparently occurred in December. A seasonal rise is now in prospect. If this were an "average" year the United States farm price would rise about 12 percent from January to a high in May of about 15 cents per pound.

Chickens: Average price per pound received by farmers in the United States, 15th of the month, 1935-37

Year	Jan.	Feb.	Mar.	Apr.	May	June	Oct.	Dec.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1935	12.4	13.4	14.2	15.5	15.7	15.6	15.7	16.0
1936	16.5	16.9	16.6	16.9	16.6	16.4	14.0	12.6
1937	13.4	---	---	---	----	---	---	---
	Average seasonal index (average for the year = 100)							
Average 1921-30	94.9	98.3	100.0	103.9	105.9	105.7	98.5	92.2

In no sense, however, is this an "average" year. Storage stocks, particularly, are at a record high level while receipts are below the average for the past 5 years. From the supply standpoint, taken alone, it is not likely that the full seasonal rise in prices will occur. On the other hand, though, consumer purchasing power has been steadily advancing in recent months. This has prevented poultry prices from going so low as they otherwise would have gone. It is likely that this demand situation will continue to improve sufficiently to offset much of the effect of the supply situation. Therefore, while a seasonal rise in price equal to the average is by no means unlikely, the most probable occurrence is a rise from January to May of somewhat less than average. It should be noted that double the average rise would be required to raise 1937 prices above those of 1936 in this period. In the latter part of 1937, however, chicken prices are likely to exceed those of 1936 unless a burdensome surplus remains in storage.

Index of national income, excluding agriculture, average 1925-34, annual, 1935-36

1924-29 = 100

Year	Jan.	Feb.	Mar.	Apr.	May	June	Oct.	Dec.
Average 1925-34	91.0	90.7	90.2	89.7	89.6	89.6	88.6	88.8
1935	73.5	75.5	74.4	72.3	74.4	73.8	74.3	79.9
1936	78.6	78.5	81.6	78.7	82.2	83.3	86.6	96.9

Laying flock size

The average number of hens and pullets of laying age in farm flocks was 4.5 percent greater on January 1, 1937, than a year earlier. Of the years since the beginning of the record in 1925, however, only in 1935 and 1936 were numbers of layers smaller on January 1. In most years the laying flock is at its greatest size about January 1.

Average number of laying hens in farm flocks, average 1925-34, annual 1935-37

Year	Jan. 1	Feb. 1	Mar. 1	Apr. 1	May 1	June 1	Oct. 1	Dec. 1
	Number	Number	Number	Number	Number	Number	Number	Number
Average 1925-34	87.5	87.2	84.7	82.1	77.4	73.4	70.4	81.9
1935	78.3	77.6	75.8	72.9	69.1	65.1	65.4	76.6
1936	80.6	79.1	76.7	74.8	70.5	66.5	66.9	79.1
1937	84.2	---	---	---	---	---	---	---

It seems likely that this percentage increase may have been reduced somewhat during January by the tendency to market laying birds as the result of the exceedingly unfavorable feed-egg ratio.

Rate of egg production

The rate of egg production reported on January 1 was the greatest since the beginning of the record in 1925. This heavy rate is the result of exceptionally mild temperatures in many important producing areas and has occurred in spite of an equally exceptional unfavorable feed-egg ratio. It is likely that as long as mild weather lasts this tendency will continue, but that with normal winter conditions the rate of production will decline to average or lower.

Eggs laid per 100 hens and pullets of laying age in farm flocks, average 1925-34, annual 1935-37

Year	Jan. 1	Feb. 1	Mar. 1	Apr. 1	May 1	June 1	Oct. 1	Dec. 1
	Number	Number	Number	Number	Number	Number	Number	Number
Average 1925-34	16.5	24.2	38.4	52.8	55.1	49.5	25.0	13.9
1935	16.9	21.7	37.3	53.9	55.2	50.3	25.9	16.3
1936	19.1	24.0	32.6	54.7	56.5	51.2	25.1	16.0
1937	22.0	---	---	---	---	---	---	---

Egg marketings

As a result of the larger laying flocks and of the heavier rate of production, receipts of eggs at the four markets in January were larger than in any previous January. While it was expected that the larger flocks of 1937 would somewhat more than offset the effect of the unfavorable feed-egg ratio, so that marketings in the first half of 1937 would exceed those of the same months of 1936, this very heavy supply is almost entirely a matter of unusual weather conditions and is likely to continue as long as these conditions remain essentially unchanged.

Receipts of eggs at four markets, average 1925-34, annual 1935-37

Year	Jan.	Feb.	Mar.	Jan. - Mar.	Apr. - June
	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases
Average 1925-34 ...	842	1,060	1,764	3,666	6,185
1935	684	792	1,415	2,891	5,079
1936	820	734	1,695	3,249	5,571
1937	1,012	---	---	---	---

Egg storage stocks

Storage stocks of eggs are ordinarily of little importance as a source of supply in February. It is quite unusual for any large proportion of the February 1 stock to consist of eggs stored in January. This year, however, much of the approximately 430,000 cases in storage was placed there during January. This storing was caused by the heavy receipts and most of it will come out of storage immediately upon the arrival of normal winter weather. Cold storage holdings of shell eggs totalled 159,000 cases on February 1, 1936; the 1925-34 average for February 1 is 285,000 cases.

Egg storage margin

Eggs are stored mainly during the period from March through June and come out of storage chiefly during the period from September through January. The difference in average prices between these two periods is a rough measure of the average gross profit on the season's storage operations. From this margin an allowance must be made for storage costs of all kinds. These costs are estimated to average from 3.5 to 4.0 cents per dozen. The success of the past storage season, from the standpoint of the operator, often has a bearing on the level of egg prices in late winter and early spring.

Estimated storage margin on eggs per dozen, average 1916-35, 1925-34, annual 1935-36

Year	Seasonal average st. pkd. frists at N. Y. Mar. - June	Seasonal average refrig. firsts at N. Y. Sept. - Jan.	Storage margin
	Cents	Cents	Cents
Average			
1916-35	28.22	33.16	4.94
1925-34	24.08	27.69	3.61
1935	25.06	23.66	- 1.40
1936	21.24	1/ 26.79	1/ 5.55

1/ Preliminary.

The March-June average price is the average of the monthly prices of storage packed firsts at New York weighted by the net into-storage movement as indicated by the first of the month United States cold storage reports. The September-January price is similarly obtained using the price of refrigerator firsts at New York weighted by the net out-of-storage movement.

AAA egg purchasing program

In January the Agricultural Adjustment Administration began a surplus egg purchasing program. While a large part of the eggs bought are for distribution in the flood areas, the major purpose of the program is to prevent a continuation of the abnormally sharp decline in winter farm egg prices. This program has had the effect of narrowing the spread between retail and wholesale prices. By slowing up the rate of the price decline it tends to discourage both forced sales of poultry now and reductions in the spring hatch, either of which would tend to develop unduly higher prices next fall and winter.

Egg prices

The farm price of eggs on January 15 usually averages about 17 percent less than a month earlier. This year, however, the decline was 25 percent. This greater-than-average decline is almost entirely due to heavy receipts resulting from mild temperatures. The course of prices throughout the remainder of the winter is no more predictable than the weather.

Eggs: Average price per dozen of mixed colors, special packed at New York, and United States farm price, 1935-37

Year and price	Jan.	Feb.	Mar.	Apr.	May	June	Oct.	Dec.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
N.Y. price:								
1935	32.9	31.0	24.1	26.6	27.5	26.9	32.8	32.3
1936	27.9	32.6	23.5	22.8	23.9	25.1	33.5	34.3
1937	26.5	---	---	---	---	---	---	---
U.S. farm price:								
1935	25.0	25.6	18.6	20.0	21.4	21.0	27.9	28.7
1936	22.8	23.8	17.5	16.8	18.1	18.9	27.6	30.5
1937	23.1	---	---	---	---	---	---	---
	Seasonal index of farm prices (average for year = 100)							
1921-30	125.0	102.0	74.4	72.6	73.7	74.2	118.9	151.2

Though it is unlikely that February prices in 1937 will equal those of that month of extremely cold weather in 1936, it is likely that spring prices will average above those of 1936 and will, perhaps, be nearer to the levels of 1935. It is believed that the advance in consumer purchasing power is enough to counteract the effects of heavier receipts expected.

Increased receipts in the spring often result in larger storage stocks of eggs by midsummer; and large storage stocks tend to depress fall and early winter prices. It is not clear now, however, whether storage stocks will increase to such an extent as to cause 1937 fall prices to go below those of 1936 in spite of strengthening consumer demand. Looking farther ahead, it is worth noting that with laying flocks now below average any material reduction in this spring's hatch may easily result in relatively high prices in the first half of 1938 when eggs from this hatch will be an important source of supply.

SUPPLEMENTARY DATA

Table 1.- Index of national income, excluding agriculture, 1925-36

(1924-29 = 100)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1925	93.6	93.6	93.6	94.1	94.6	95.6	96.8	96.8	96.9	98.9	99.9	99.9
1926	99.8	100.3	100.7	100.3	98.4	99.8	99.4	99.8	100.7	101.9	101.4	101.4
1927	101.8	102.3	101.8	102.3	102.3	102.3	101.8	102.3	101.8	100.5	100.5	100.5
1928	101.5	101.9	102.4	101.9	101.9	103.8	104.7	105.6	105.6	106.1	106.1	106.1
1929	106.0	106.2	106.2	106.0	106.8	108.2	108.3	109.3	109.4	109.0	106.3	107.2
1930	104.9	104.1	104.9	104.1	103.5	102.7	100.4	97.4	96.4	95.7	93.2	93.1
1931	91.6	90.9	90.7	89.6	87.8	86.8	85.4	83.0	81.4	79.7	78.6	78.0
1932	77.0	74.7	72.3	70.2	68.3	65.9	63.5	61.6	62.4	62.6	63.0	62.1
1933	63.0	61.4	58.2	58.5	60.0	62.0	61.5	63.9	64.7	65.0	66.7	68.2
1934	71.1	71.7	71.4	70.3	72.1	69.2	69.8	70.4	68.8	69.2	70.6	71.8
1935	73.5	75.5	74.4	72.3	74.4	73.8	72.4	74.3	75.8	74.3	77.2	79.9
1936	78.6	78.5	81.6	78.7	82.2	83.3	82.2	84.2	85.0	86.6	90.0	96.9

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Table 2.- Eggs, estimated storage margin, 1916-36

Year	Seasonal average st. pkd. firsts at N.Y., Mar - June	Seasonal average refrig. firsts at N.Y. Sept.-Jan.	Storage margin
	Cents	Cents	Cents
1916	23.27	33.70	10.43
1917	35.52	37.81	2.29
1918	36.88	46.37	9.49
1919	45.90	51.68	5.78
1920	45.92	56.44	10.52
1921	28.47	36.78	8.31
1922	27.71	29.50	1.79
1923	28.36	30.92	2.56
1924	26.54	39.40	12.86
1925	31.79	34.27	2.48
1926	31.68	36.31	4.63
1927	25.72	34.15	8.43
1928	30.54	30.87	.33
1929	30.21	38.22	8.01
1930	25.66	21.32	- 4.34
1931	19.08	19.42	.34
1932	14.38	23.43	9.05
1933	14.30	16.42	2.12
1934	17.47	22.48	5.01
1935	25.06	23.66	- 1.40
1936	21.24	1/26.79	1/ 5.55

1/ Preliminary.

Correction:

In table 9 on page 10 of the January "Poultry and Egg Situation" the 1925 prices should be corrected to read:

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1925	48.6	35.7	25.9	24.2	24.8	26.1	27.9	30.0	31.1	37.7	46.8	48.1